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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

21 July 1981

MEMORANDUM FOR: Director of Central Intelligence

FROM : Hans Heymann, Jr.
Acting National Intelligence Officer for USSR-EE

SUBJECT : NSPG Meeting 22 July 1981 on
(a) Soviet Grain Agreement
(b) Corn Sale to Poland

1. The NSC discussion paper attached at Tab A adequately presents the two issues to be discussed and the options to be considered. The corn sale to Poland is so obviously desirable, and the grain agreement with the USSR so much more important that I will confine myself to this latter issue here. Several points need to be stressed:

- ° Soviet grain crop -- Even if our Soviet grain crop projection of 190 million tons is off by \pm 10 million tons, the USSR will need to import all the grain it can unload and distribute in country -- i.e., 40-45 million tons in the year beginning 1 October 1981.
- ° Non-US sources of grain -- There is still great uncertainty about the amount of grain that will be available from non-US sources. US government experts and trade sources believe that these sources may have as much as 35 million tons available for export to the USSR after all their regular customers are served. This would require some premium payments by the Soviets. In addition, the Soviets could bid away, at premium prices, perhaps 5 million tons or more of grain through transshipment from third countries. US farmers would, of course, largely fill in behind, and would not be significantly worse off.
- ° Soviet grain demand from US -- Under normal circumstances -- i.e., without any US- or Soviet-imposed market constraints -- the US could expect to capture between 20 and 25 million tons of Soviet grain purchases. If the USSR were to discriminate against the US and resort to non-US source grain to a maximum (including paying premium prices), the US direct sales to the USSR could be reduced to zero. This is, of course, a worst case contingency.

*normally
-20-25 would
be bought for
U.S. \$
35- other
sources
available
5- last 11*

yes

Approved for Release by CIA
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- ° The US-Soviet LTA -- One thing is clear: The Soviets will not accept an extension of the current LTA without the guarantee. If we insist on its removal, and the LTA discussions come to naught, the USSR would still have the option of drawing on US grain in the open market as they chose. Alternatively, they could discriminate against the US as described above. What they would lose without an agreement is the explicit guarantee of access to the minimum of 6-8 million tons of grain provided for in the present LTA.

2. I am attaching a fact sheet on the current LTA expiring this September at Tab B.



Hans Heymann, Jr.

Attachments: two
As Stated

US-USSR Grain Agreement

(1 October 1976 to 30 September 1981)

Terms and Conditions

Authorized the USSR to purchase from private commercial firms 6 million metric tons of US wheat and corn, in approximately equal proportions.

Allowed the USSR to purchase an additional 2 million tons of grain in any given 12 month period without additional consultation.

Purchases in excess of these quantities would be authorized only after consultation.

Gave the US authority to suspend the guaranteed minimum purchase if US supplies totaled less than 225 million tons.

Purchases and/or sales of wheat and corn were to be made at prevailing market prices and with no provision for official US funding.

A US-USSR Maritime Agreement defining terms for transporting US grain to the USSR was negotiated separately.

Advantages of the LTA

The LTA provided obvious advantages to both Washington and Moscow.

--For the US, the agreement guaranteed sales of 6-8 million tons of US grain regardless of Soviet demand; it offered US farmers the prospect of substantially greater sales in time of relatively low Soviet demand. In 1977, for example, 6 million tons of the 10.5 million tons the USSR imported came from the US. (In contrast the USSR had bought only 3 million tons of US grain six years earlier). It also provided a degree of insulation from swings in foreign grain demand. Finally, by providing the prospect of a more stable and assured foreign market it eliminated some of the uncertainty of domestic production decisions.

--For the USSR, the agreement provided access to the world's largest most stable grain producer at a time when agricultural sales were under embargo. It too provided a tangible sign of US intent to pursue detente with the USSR.

15 July 1981

MEMORANDUM FOR: The President

1. Here are some informal estimates on the implications of the alternatives the Soviets have in Poland and the stake the Allies have in each of them. The alternatives are three:

A. Invasion or forced takeover - There would be enormous, continuing costs in military and economic assets, bloodshed, political position and propaganda (detailed at Tab A - the first page gives a quick picture). Detailing of these costs strengthens the view that the Soviets will continue to avoid this course.

B. Toleration of a somewhat liberalized Poland loyal to the Warsaw Pact - Costs less in the short term but dangerous to the Soviet system and its satellite relationships (detailed at Tab B). Would put off harsh and immediate military costs but seriously raise Soviet defense costs and preserve the prospect of continued liberalization of Poland and its extension to neighboring countries (see pages 3 and 4).

C. Economic squeeze to weaken and discredit Solidarity - This course could cause a weakened Poland to fall back under tight Soviet control. It would probably entail heavy costs in military occupation and economic support but not as heavy as a military invasion.

Attachments

WJC
William J. Casey

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